

Remarks by G. William Miller, Chairman  
Board of Governors of the Federal Reserve System at the  
U.S. Coast Guard Academy Commencement  
New London, Connecticut  
May 24, 1978

Admiral Perry, Admiral Clark, distinguished participants in this graduation, and members of the graduating class, your families and friends.

I appreciate the generous introduction. But I've been having trouble recently because when I am introduced as Chairman of the Federal Reserve most people immediately raise their eyebrows and ask, "What is that?" I conducted a survey and found that most Americans think the Federal Reserve is an Indian reservation. But, if you will look at your dollar bills and pay careful attention, you'll see that they are really Federal Reserve notes. So be nice to us, because we supply your money.

I'm delighted to address a few words to the class of '78. I understand you started the day with your flag flying, and I hope that it will be flying for a long time. It's a particular privilege and a special treat for me to stand in this spot today. It was 33 years ago that I was sitting among the graduating class. I've not had the opportunity to attend an Academy graduation since that time, and yet I approach this occasion with somewhat the same anticipation and excitement that I had on that day in 1945. How well I remember the exhilaration upon completing, at last, the seemingly long and intense years, and the thrill of pinning on the gold bars and snapping on the shoulder boards with those wide gold stripes.

No doubt there will be disagreement as to who is more turned on by this graduation. Apparently when I graduated it was the second class; they got the biggest thrill. We had a very effective class, I must say. But many will say that the most excitement belongs to the class of '78, the graduating class, and that's to be expected. You can believe me, whatever rank you obtain there is nothing that will ever be so rewarding as that commission as an Ensign.

Others will say that the families and sweethearts who have also waited so long for this propitious occasion are most excited. Perhaps some will say it's the second class -- as was the case for Admiral Clark's class when I graduated. The second class is about to become the first class and they are going to take over the cadet leadership and set everything right again.

But my guess is that it is really the fourth class that's the most excited. The Swabs at last will come out from under, and, boy, what a release that will be. They arranged the rain because they're already out celebrating.

Well, may all of you who have waited long and impatiently for this hour find your true rewards.

My role today, I know, is a great responsibility. It offers a moment to reflect about the new life ahead -- before the joys of celebration with family and friends and before the sadness of farewells to classmates and faculty. The test for me is to be brief yet responsive. When I graduated the address was for 45 minutes. I'll see if I can cut that down.

When I graduated, the war in Europe had just ended. I departed immediately for Okinawa and then Japan and began my rather brief but eventful career in the Coast Guard. Demobilization carried many of us back to civilian life, but little did I expect in those times -- and never did I aspire at any time -- to someday be a banker -- certainly not a central banker. It's clear, however, that the Coast Guard Academy is good preparation for a wide variety of career objectives. My personal experience bears out the high quality of the education provided by the Academy's dedicated faculty.

A great deal has changed since 1945; that's to be expected. But we live in a world of accelerating change. Political, economic, technological, and social changes cascade upon us, compelling extraordinary skills and wisdom to navigate a safe societal course. During your careers you can anticipate even greater magnitudes of change. You will be called upon to manage those changes constructively, rather than to become victims of them.

Perhaps before you embark as new Coast Guard officers it would be well to recall some of the conditions which have prevailed while you were deciding upon and preparing your careers.

The past dozen years have been characterized by dramatic shocks and discontinuities. The war in Vietnam was divisive. The state of domestic tranquility was interrupted by civil disorders. Failure to pay for that war planted the seeds of inflation. The threat of inflation led to direct wage and price controls which proved to be both inequitable and ineffective. The international

monetary system broke down. The U.S. economy was reflatated, building up a head of steam in the kettle. When the discredited wage and price controls were removed, the steam blew off and double digit inflation and double digit interest rates resulted. To compound the difficulties, the oil boycott ushered in a 5-fold increase in world petroleum prices. The Watergate incident and its aftermath led to a general distrust of all institutions, public and private. Finally, there was the great recession of 1975, with 9 percent unemployment and the greatest economic difficulties since the depression of the 1930's.

Now we are beginning the fourth year in economic recovery from those troubled times. The level of prosperity has advanced considerably. Social and political conditions have become more stable. Yet, in the face of progress there is a nagging discomfort.

The reason is not hard to fathom. The agenda of unresolved issues remains formidable, indeed. In the economic field, America's most serious domestic problem is inflation. Inflation destroys values and incomes, dries up job-creating investments, impairs the prospect for new housing and other construction, and breeds recessions.

Perhaps the best way to illustrate the clear and present danger of inflation is to consider the consequences for today's graduates. If inflation should be permitted to continue at a 6 percent rate -- and this year we can expect a 7 percent rate -- but even at 6 percent, by the time you reach age 65, the dollar you have in your pocket now will be worth less than 10 cents.

We cannot let that happen to you. We cannot let that happen to America or to the World.

For you who are devoted to Coast Guard service, my highlighting inflation may seem remote and not relevant to your concerns, but it should be of a critical concern. The missions of the Coast Guard are varied and demanding. Your ability to accomplish those missions is greatly affected by the condition of the community at large. If that community, national or global, is in a state of political instability and economic distress, your task will become more difficult, if not impossible. The resources available to you will be more limited than needed to get the job done. That is why you, as citizens who have elected to serve your country, have a special reason to be concerned.

In my own case, I have now been called back to national service. In my new role I must deal with monetary policy and its interrelationship with other economic policies, in furtherance of a total commitment to attain our country's goals of full employment with price stability and with a sound and stable dollar. Such conditions are required in order to have a tranquil world. Economic well-being is essential for lasting peace.

This Academy provided me with invaluable resources to meet all the challenges I have ever faced. The Coast Guard also guided me in my destiny by sending me to Shanghai, China, where I met my wife Ariadna. So I have a great deal to be thankful for about my own experience as a cadet, as a graduate, and as a Coast Guard officer.

Let me note some of the Academy resources which I cherish. One is discipline. It was a hard shock as a youngster to face the disciplines of the Academy, but I benefited greatly because it taught me to use my resources and my talents for a purpose and to organize myself in a balanced way to accomplish my goals. The Academy taught me preparedness -- Semper Paratus -- and how often I have benefited by thinking ahead and being ready for the event when it occurred. It taught me professionalism. It taught me the merit of finding out the real facts and of approaching a problem with an objective viewpoint and a professional attitude. It taught me loyalty, not only to my country but to all of the people with whom I serve, and the importance of working with them as a team. No one alone can accomplish the tasks in life, and loyalty to an organization develops that kind of teamwork that is essential to achieving the greatest. It taught me responsibility. When I graduated, I was just over 20 years old, and before age 21 I had the experience of command, which is an opportunity rarely obtained. That kind of responsibility matured me and prepared me for the kind of changing world that I have experienced over the years. It taught me service, and a commitment beyond the Coast Guard to the larger world, a commitment to humanity. And it taught me humanity, a sense of fairness and equity, a sense of fair play, a sense that everyone has a right to achieve his best. Above all, it taught me excellence, the quest for quality, for superior performance. It taught me to achieve the best that I could, and many more things which you know well.

I'm proud of the Coast Guard, I'm proud of the Academy, and I am proud of each of you in the Class of '78 and your chosen Service. It is a great calling. You have been selected through years of difficult testing, and you have achieved this final confirmation of your qualifications. It is a great Service you will be going into. Your personal service is needed; humanity will benefit from it.

I wish that each of you will always have fair weather and a following wind.